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Fall 2013

### Avoiding the Bust After the Boom

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Macke, Eric, "Avoiding the Bust After the Boom" (2013). *Op-Eds from ENSC230 Energy and the Environment: Economics and Policies*. 26.

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Course: ENSC230

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December 13, 2013

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### “Avoiding the Bust After the Boom”

Improvements in shale energy development will likely cause the United States to become a net energy exporting country in the next 20 years. The largest deposits of shale oil are in the United States and will affect many communities. America must consider the huge implications this will have on both the economy and environment. I will draw from three experiences, the Tri-state mining district, Norwegian oil boom, and the North Dakota oil boom, which will allow me to illustrate how America can handle this new opportunity in the right or wrong way.

The first example is of the Tri-state mining district. During its heyday, the Tri-state mining district was a booming area amassing great wealth and prosperity by mining large quantities of lead, zinc, and iron ore. The mining industry in the Tri-state area created about \$20 billion worth of ore during operation and supplied the majority of the metal for ammunition in the two world wars.

Despite the great growth many of these towns in the area experienced, the appropriate precautionary measures were not taken. The most startling consequences of the mining are the environmental devastation left behind once the mining was completed. Treece, Kansas alone,

which was one of the leading mining towns in the Tri-state area, has over 100 million tons of waste left behind.

These harmful remains have caused devastation for the local environment and dire health dangers for the residents. In fact the situation is so extreme that in 1981 the EPA deemed the areas around the towns of Treece, Kansas and Picher, Oklahoma as the most contaminated areas in the country. Towns who once donned the slogan of “Miners Do Our Part For Victory” soon became “We Survived The Lead.”

This failed outcome leads to me to another story of how things can be done correctly. Norway found huge oil reserves in the North Sea in the late 1960s. This newfound resource was a blessing but Norway took great care in utilizing this new opportunity. They were careful not to follow in the steps of the Netherlands who in the 1970s experienced a flood of wealth from oil production, which overwhelmed their economy creating inflation and joblessness.

They began by implementing two trusts in which to collect the large influx of wealth that would soon be entering their economy. This large savings account is known simply as the “Oil Fund” and it is worth around \$800 billion and is still growing. This trust fund is managed by the Norges Bank Investment Management on the behalf of the Norwegian Ministry of Finance.

Today Norway uses part of this money to invest in the stock market, property, and domestic budgets. Norway puts great care into environmental safety and are leaders in this aspect.

The United States must learn from these two examples and execute the correct policy. Following the Norwegian model is the best course of action. They have proven that their methods can benefit both economically and environmentally. From the gross production of oil the government should take a percentage of the severance tax and establish a trust fund similar to

that of Norway. Through this trust the government could develop the shale industry further, diversify by putting money into other parts of the economy, mitigate by repairing environmental damage, and provide general support through community development. A subcommittee could be elected once the policy is enacted to coordinate this fund.

My last example brings me to western North Dakota. Currently they are in the process of handling a new influx of oil revenue. They are currently experimenting and considering implementing a Norwegian style trust of their own. Other communities with shale oil in the United States would be wise to follow North Dakota's process to better help their economies, environments, and communities.

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